

Red Hat's future

Red Hat Unwrapped

When Bob Young and Mark Ewing founded Red Hat back in 1995 their goal was, above all, to make people think “Red Hat” when they thought Linux, just like they thought “Heinz” when they thought about ketchup. The Red Hat was intended as a symbol, a synonym for Linux and Open Source. Of course this is not quite what has happened – an operating system is not as simple as tomato ketchup whether viewed from the technical or from the marketing perspective.

What is left over from the Young era is the strong business orientation; Red Hat never has been a Geek to Geek business. The commitment to Open Source and the GPL is what is mainly responsible for the benevolent attitude the Community has shown – despite there having been some technical and strategic decisions which might be considered to be questionable emanating from the main company headquarters in Raleigh.

Red Hat and the Consumer

Red Hat has concentrated almost entirely on the business to business market for the past 3 years, working on the premise that profits in that area are more easy to come by than on the OTC market. But a larger user base is important to the long term success of a software product. No problem, anyone can download ISO images of the current distribution. End users who insist on buying a box are being asked to spend more each year,

Although it was only just released in time to make this issue, Red Hat, the US market leader's, Advanced Server distribution is the subject of an exhaustive test. Its aim – to find out whether Red Hat purchasers are in good hands.

BY ULRICH WOLF



although the added value has stayed more or less on the same level.

Until about two and a half years ago fresh Red Hat boxes were available for around £30 to £40, however, now even the Personal box with its lean content costs up to £50. The increase in price for the Professional version, which now weighs in at around £180, has been even more alarming. New Professional and Personal versions appear twice a year on a fairly regular basis.

Red Hat Network

The Red Hat Network is the central instrument for keeping a Red Hat system reliably up-to-date. A basic subscription

now costs US \$60 a year. The customer is regularly notified of patches for this amount and can apply them via a GUI. Preferential access to the ISO images is part of the package and this is useful at times when FTP servers are feeling the strain. The Enterprise version comprises genuine system management features: allowing you to group servers by task, also to manage the privileges for multiple administrators, setup local proxy servers in enterprise networks and so on. Those wishing to subscribe to the Enterprise version of Red Hat Linux will have to pay about US \$240 annually.

It is interesting to note how the Red Hat Network has been hardened over the

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We put Red Hat's flagship product through a series of grueling tests to see if it lives up to its promise.

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Scott is the director of Red Hat's Northern Europe division. We managed to ask his views on the future.

years. Anonymous access was originally available via the up2date update agent; mandatory registering for the service was then introduced in 2001. The service level demo still allowed you to use up2date to keep your Red Hat system up to date without paying the registration fees. But this backdoor has since been closed. The purchasers of the Personal and of the Professional distributions now have time limited access to the basic version of the Red Hat Network.

For companies and private users Ximian's Red Carpet is an alternative that works with various distributions, that offers more packages and is often much more up to date.

Training and Certification

Red Hat has managed to establish the RHCE (Red Hat Certified Engineer) as a quasi-standard for Linux certifications and training. In contrast to the LPI (Linux Professional Institute) multiple choice tests available previously, the RHCE exams are practically oriented. The test candidate is required to solve the types of problems that real-world administrators are faced with. The inclusive system administration courses cost around £1,600 or just the exam for £480; students and teachers at recognized schools can apply for a 50 percent reduction.

Courses are also available for other Red Hat products such as the PostgreSQL

based Red Hat Database, Webserver, the Online-Shop, Interchange, or their Embedded Tools for the eCOS realtime operating system.

Red Hat does not automatically lead you to thinking about embedded systems. However, the former Cygnus developers are responsible for a major portion of turnover. The Services division for Embedded Systems has returned a double figured million dollar sum each year. The Sony Playstation 2, which was developed using Red Hat's compiler technology, is one of the prestige projects in this area. For Embedded Systems with a small memory base Red Hat does not use Linux but eCOS. But the eCOS operating system is also Open Source.

Forthcoming

From a business point of view Red Hat is certainly an attractive proposition, especially in comparison with the other Linux and Open Source enterprises that started up in the 90s. However, expecting profitability does not seem to be a very realistic option at present.

Although Red Hat has returned neutral operating results in some quarters, the company is still struggling with a large problem common to many enterprises who went on shopping sprees during the New Economic boom: namely write offs on goodwill and immaterial items related to acquisitions. These figures may ruin the balance sheets for some time to come. Red Hat closed the last financial year, which ended in February 2002, with a loss of US \$140 million, with a turnover of only US \$79 million.

The most recent turnover figures show no signs of a drastic slump, Red Hat does seem to be riding the storm prevailing in the IT sector more comfortably than other software companies. Times of crisis may also be a good opportunity for value for money Open Source solutions. On the server side of the business, competition from other Unix systems still plays a much more important role than the Microsoft landscape, and although Red Hat is a player on the mainframe Linux scene, the company does not seem to have risked its neck as much as its Linux rival SuSE, for example.

More recently, it seems that Red Hat's focus may be shifting to the corporate desktop and there have been some announcements concerning "advanced"

(that is more expensive) desktop and workstation distributions that would seem to confirm this trend.

When it comes to database systems Red Hat is apparently incapable of steering a straight course. On the one hand Red Hat has its own Open Source based Red Hat Database product in its portfolio, and this product is probably equal to most tasks. On the other hand Red Hat seems to be assisting the database giant, Oracle, in an attempt to open some doors to the large enterprise market. The logical result of this is an unusual hesitance to market their own product.

Despite their efforts to make their name synonymous with both Linux and Open Source in general, Red Hat will have to accept being measured on the strength of their Linux distributions. Their prices would seem to indicate that they are by no means lacking in self-confidence. ■

What ever happened to...



Bob Young: The charismatic Red Hat founder and former used automobile salesman, Robert F. Young, was one of the first to discover

the commercial potential of free software way back in 1995. After handing over his offices to Matthew Szulik in 2000 he was still actively involved with the Red Hat board but has gradually sold a major part of his Red Hat shareholding.

He is now the owner of a small business called Lulu Enterprises that organizes technically oriented events whose fun factor and proximity to the participants distinguishes them from traditional events. The first "Lulu Tech Circus" will be taking place September 27 through 29 in Raleigh, North Carolina, on Red Hat's home territory and the site of a large IBM branch.



Colin Tenwick: While he was responsible for Red Hat's European activities, Tenwick was never short of a catchy phrase, much in the

tradition of Larry Ellison or Scott McNealy. But he did not stick to this position for long. He is now CEO of the Stepstone online career and recruitment service that is also known for its disposition to loud marketing – although this line of business does require a certain amount of discretion at times.

Red Hat and the Software Patents

Red Hat is planning to compile a portfolio of software patents for strategic reasons. At the same time the company intends to continue actively opposing software patents.

A welcome side effect of this is that analysts tend to rate an enterprise by the amount of "intellectual property" it has collected. And patents are the units used to measure intellectual property. The fact that the principle of free software is diametrically opposed to this and the fact that intellectual property is impossible to quantify does not seem to trouble Red Hat too much.

Red Hat has promised not to pursue patent infringements if these occur in a Freeware context. This promise was formulated in the classical form of a legal statement of intent, but it will prove difficult to pursue Red Hat in any way, should the company then decide that it is going to renege on this promise some time in the future.